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UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

AAA

Some Facts About Potatoes

The following information is designed to assist potato producers in deciding what action, if any, should be taken for improving conditions in the potato industry:

Where Are Potatoes Produced?

Potato production in the United States includes the early crop, the intermediate crop, and the late or main crop. Early- and intermediate-crop potatoes comprise approximately 20 percent of the United States potato crop; 3 of the 18 leading early- and intermediate-producing States being Virginia, North Carolina, and New Jersey. Late potatoes, produced in 30 States, comprise about 80 percent of the total potato crop of the country. The seven principal late producing States are Maine, New York, Minnesota, Pennsylvania, Michigan, Wisconsin, and Idaho, which together accounted for more than one-half of the average annual potato production during the 1930-34 period.

For the 5-year period 1928-32 the average annual national potato production was 372,115,000 bushels. Eighteen surplus late States produced 260,473,000 bushels of that total. Roughly, these 18 States can be divided into three areas—Northeast, Central, and Western, including the Pacific coast. The actual 5-year production averages were:

	<i>Bushels</i>
Northeast (3 States)-----	96, 673, 000
Central (5 States)-----	90, 081, 000
West (10 States)-----	73, 719, 000

What Determines the Price of Potatoes?

Farm prices for potatoes are determined in general by (1) the supply of potatoes available for sale and (2) the purchasing power of consumers. The amount of potatoes which consumers will buy does not vary greatly from year to year. As a result, when production is excessive a substantial portion of the crop is not needed for human consumption, and it is that excess part of the crop which has a depressing effect on the farm price of potatoes.

What Factors Affect the Supply of Potatoes?

Available figures show that both potato acreage and yield per acre fluctuate materially from year to year. The variation in acreage and yield per acre, with the resultant variation in total crop and the consequent violent price fluctuations from year to year, is shown by the accompanying table.

TABLE 1.—Potatoes: United States acreage, yield, production, and price

Year	Acreage		Production		Yield per acre		United States farm price per bushel	Total crop value	Change from previous year
	Acres	Change from previous year	Bushels	Change from previous year	Bushels	Change from previous year			
		<i>Percent</i>		<i>Percent</i>		<i>Percent</i>	<i>Cents</i>		<i>Percent</i>
1934.....	3, 597, 000	+5. 4	406, 105, 000	+18. 6	112. 9	+12. 6	44. 8	\$181, 857, 000	-35
1935.....	3, 541, 000	-1. 6	386, 380, 000	-4. 9	109. 1	-3. 4	59. 7	230, 574, 000	+27
1936.....	3, 058, 200	-13. 6	329, 997, 000	-14. 6	107. 9	-1. 2	111. 3	367, 406, 000	+59
Average, 1932-36	3, 431, 400	-----	368, 242, 000	-----	107. 3	-----	67. 4	241, 702, 000	-----
1937 ¹	3, 224, 000	+5. 4	402, 537, 000	+22	124. 9	+15. 7	-----	-----	-----

¹ Aug. 1 estimate.

Source: Bureau of Agricultural Economics, Crop Reporting Board.

Acreage Important Factor.

The table above shows that the total crop produced is influenced to a great extent by variations in acreage. It is further apparent that the fluctuations in yield per acre depend to a great extent on the weather. Therefore, some program for preventing substantial yearly fluctuations in acreage appears to be a promising method available to producers in bringing about a greater degree of stability in the potato industry than has heretofore prevailed. Such a program may be supplemented by another program to improve selling conditions and take care of surpluses which result from fluctuations in yield per acre.

How Many Potatoes Can American Producers Expect to Sell?

American potato growers have an outlet under prevailing demand conditions for from 360,000,000 to 370,000,000 bushels—about 63 percent, or 224,000,00 bushels, of which can normally be sold for human consumption with an additional 19 percent used for food on the farms where grown. Of the remaining 18 percent, about 10 percent is usually required for seed. The remainder of the crop is normally unfit for food or seed and goes into livestock feed, industrial products, or is wasted. The amount of potatoes fed to livestock and used for other low-value purposes varies widely from year to year, depending upon the size of the crop and prices.

When Are Grower Returns Highest?

As a general rule growers receive a larger total income from a small or average crop than from a large one. For example, studies show that under prevailing demand conditions, potato producers in the United States could expect to receive approximately \$75,000,000 more for a total crop of 350,000,000 bushels than for a crop of 400,000,000 bushels.

Do Consumers Benefit From Large Crops and Low Producer Prices?

In the long run, any benefit the consumer may receive from a big crop and low prices is largely offset by smaller crops later for which he pays higher prices. Excessive production and extremely low

prices in one year usually result in short crops and extremely high prices within a year or two, because the low prices squeeze out large numbers of producers.

What Can Potato Growers Do to Improve Conditions?

Federal laws exist which make it possible for potato growers to work together to improve their returns if they so desire. These laws have made available to farmers the Agricultural Conservation Program and the Marketing Agreement Program of the Agricultural Adjustment Administration. Through the Agricultural Conservation Program it is possible for potato growers to work toward stabilizing potato acreage. Through the Marketing Agreement Program it is possible for potato growers to provide for the orderly selling of their crop so as to get the most out of the crop after it is produced.

What Is in Prospect for 1937 Crop?

The August indications are for a 1937 acreage of 3,224,000 or about 5 percent larger than in 1936 and a yield per acre of 124.9 bushels, the highest on record, and 15.7 bushels above 1936. Should present indications materialize, the total 1937 crop will be more than 400,000,000 bushels, or over 20 percent above that harvested in 1936 and about 8 percent above the 5-year average 1928-32.

The prospective 1937 crop is similar in size to the 1934 crop and as in 1934 may reasonably be expected to result in a farm price per bushel and a return for the entire crop of substantially below a fair value, and this without prospect of a proportionately compensating saving to consumers.

Can Producers Improve 1937 Conditions?

The Agricultural Conservation Program aims primarily at balanced production rather than handling surpluses which already exist. That task is a marketing job. Farmers are cooperating with the Division of Marketing and Marketing Agreements of the Agricultural Adjustment Administration in an effort to prevent the probable surplus from driving prices too low. Hearings were recently held on four marketing agreements proposed for the major producing areas of the late States.

One agreement covers the commercial potato-producing area in Maine; a second covers the commercial areas in Michigan, Wisconsin, Minnesota, and North Dakota; a third covers the commercial areas in Colorado, Nebraska, and Wyoming; and a fourth the commercial area in Idaho.

The agreements are identical, and aim at improving prices to growers by regulating interstate shipments of potatoes of culls and providing an opportunity for growers to further limit the shipment of the lower grades. Also, the Federal Surplus Commodities Corporation is continuing its purchases of surplus potatoes for distribution to people on relief. The Division of Marketing and Marketing Agreements of the Agricultural Adjustment Administration is discussing with growers a program of diverting other surplus potatoes to industrial uses, so as to take them out of regular trade channels. Such diversion would put to valuable uses potatoes which otherwise would be wasted.

Can the Agricultural Conservation Program Help Prevent Surpluses in the Future?

Under the 1937 program, in diversion areas, potato land can be diverted from the general soil-depleting base. In nondiversion areas of the northeast, special rates apply for green manure crops grown on potato land. There is a possibility of using the program to attain more effective potato stabilization.

Through encouraging more stabilized acreage, the Agricultural Conservation Program can be of help in preventing future surpluses or deficits of potatoes. The 1938 program, as it is being developed, will provide for goals for soil-depleting crop acreage, and also for goals for certain individual soil-depleting crops.

How Would Potato Goals Actually Be Set Up, and What Could They Accomplish?

If there is sufficient indication that potato growers want a special soil-depleting goal for potatoes, a referendum would be held among potato producers on the question of including provision for such a goal in the 1938 program. No program will be initiated, nor can it be successful, unless it has full support of the potato industry. The Agricultural Adjustment Administration can assist in carrying out a program of the industry. It cannot take the place of a growers' program. In the event a large majority of the growers favored a potato goal, Agricultural Adjustment Administration representatives would consult with growers and other interested groups, and determine an acreage sufficient to grow all the potatoes the country needs, but which also, with normal yields would tend to give growers a fair return for the potatoes they marketed. The national goal then would be divided fairly between commercial potato growers. In assigning individual goals, county committees could make some allowance for conditions on particular farms. The goals would not apply to farmers who do not grow potatoes on a commercial scale.

Under the program, as tentatively outlined, the cooperating farmer would be paid a substantial amount per acre for keeping his acreage within the goal established, the amount varying with the yields which he obtained. If, however, he raised potatoes in excess of his goal, a heavy deduction from the amount of the payment would be made for each acre in excess of his goal. The cooperating producer who exceeded his goal would lose through the deductions more than he could reasonably expect to realize in profit on the excessive acreage. Also, he would be helping to defeat the efforts of his own industry to attain stabilization on a profitable basis.

Can the Agricultural Conservation Program Bring Complete Stabilization to the Potato Industry?

A potato goal under the Conservation Program would tend to stabilize acreage only. Marketing Agreement Programs would tend to improve the conditions under which the crop is sold.

To be really effective, marketing efforts must be coupled with acreage stabilization. Otherwise, successful operation of a marketing program would tend to encourage acreage expansion the following year. Those acreage fluctuations have been one of the major causes of instability in the potato industry.